

Message Text

LIMITED OFFICIAL USE

PAGE 01 GUATEM 07205 231915Z

44

ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

EA-07 DOTE-00 /103 W

----- 009611

R 231550Z DEC 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 0000

INFO AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

MTN GENEVA UNN

LIMITED OFFICIAL USE GUATEMALA 7205

E.O. 11652: NA

TAGS: ETRN, MTN, GT

SUBJ: CONCESSIONS FROM GUATEMALA ON TROPICAL PRODUCTS NEGOTIATIONS

REF: A) STATE 287116 B) GUATEMALA 7104

1) AS DEPARTMENT KNOWS, ALMOST ALL PRODUCTS ENTERING GUATEMALA DO SO AT TARIFF RATES COMMON TO OTHER CENTRAL AMERICAN COUNTRIES ESTABLISHED UNDER CACM CUSTOMS REGULATIONS. GETTING CONCESSIONS ON THESE PRODUCTS UNDOUBTEDLY WOULD BE DIFFICULT BECAUSE CA COUNTRIES WOULD HAVE TO AGREE AND AS NOTED REF B, OTHER FOUR CA COUNTRIES NOW ARE SUFFERING BALANCE OF PAYMENT PROBLEMS. HOWEVER, GUATEMALA HAS NO MAJOR BALANCE OF PAYMENTS PROBLEM AND ITS FOREIGN RESERVES ARE AT AN ALL TIME HIGH. THUS, GUATEMALA SHOULD BE MORE RECEPTIVE TO MAKING CONCESSIONS, PARTICULARLY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GUATEM 07205 231915Z

AMONG THOSE FEW PRODUCTS ON WHICH GUATEMALA AND THE OTHER

CA COUNTRIES IMPOSE INDIVIDUAL RATES OF DUTY AND OTHER TAXES.

2. BY FAR THE MOST IMPORTANT OF THESE IN TERMS OF U.S. COMMERCIAL INTEREST IS PASSENGER AUTOMOBILES. AT THE PRESENT TIME GUATEMALA LEVIES A 55 PERCENT DUTY ON ALL PASSENGER CARS WITH A CIF VALUE OF UP TO \$3500. ABOVE \$3500 EACH ADDITIONAL \$100 IN CIF VALUE RESULTS IN DUTY INCREASE OF 5 PERCENT, AD INFINITUM. THUS A CAR VALUED AT MODERATE \$4500 PAY 105 PERCENT-55 PERCENT PLUS 50 PERCENT FOR THE EXTRA \$1000. IN ADDITION THERE IS A 10 PERCENT SALES TAX ON ALL CARS WITH CIF VALUES OF OVER \$3500.

3. THIS TAX, WHICH ORIGINALLY WAS IMPOSED TO PREVENT IMPORTS OF LUXURY CARS, NOW SEVERELY DISCRIMINATES AGAINST U.S. FAMILY-TYPE SEDANS, WHOSE CIF VALUE USUALLY EXCEEDS \$3500, WHILE GIVING A BOOST TO SALES OF JAPANESE SUBCOMPACTS IMPORTS, WHOSE VALUES ARE USUALLY UNDER \$3500, AND TO ONE EUROPEAN FIRM, MERCEDES BENZ, WHICH UNLIKE U.S. MANUFACTURERS, IS REPORTEDLY WILLING TO UNDERINVOICE. CONSEQUENTLY, A MERCEDES BENZ 200 COSTS NO MORE THAN A STRIPPED DOWN CHEVELLE. THE RESULT HAS BEEN A STEADY DWINDLING OF U.S. PASSENGER CAR IMPORTS TO WHAT IS NOW ONLY ABOUT 8 PERCENT OF THE MARKET. EUROPEAN IMPORTS PRESENTLY AMOUNT TO 48 PERCENT OF THE MARKET AND JAPANESE 43 PERCENT.

4. RECOMMENDATIONS:
AFTER DISCUSSIONS WITH TWO LARGEST U.S. AUTOMOBILE IMPORTERS, EMBASSY BELIEVES FOLLOWING CHANGE BY GUATEMALA IN TARIFFS ON PASSENGER CARS WOULD DO MUCH TO ONCE AGAIN ALLOW U.S. FAMILY TYPE PASSENGER CARS TO COMPETE FAIRLY IN GUATEMALAN MARKET.
A) INCREASE CIF VALUE UNDER WHICH 55 PERCENT DUTY LEVIED FROM PRESENT \$3500 TO \$6000.
B) IN ADDITION, INCREASE EXTRA AMOUNT WHICH TRIGGERS 5 PERCENT INCREASE IN TARIFF ABOVE 55 PERCENT FROM \$100 TO \$150.

5. WE BELIEVE THAT THE GUATEMALAN GOVERNMENT MAY BE WILLING TO MAKE SOME CONCESSIONS ON THIS ITEM. LAST LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 GUATEM 07205 231915Z

YEAR THEY RAISED THE CIF VALUE COVERED BY THE 55 PERCENT RATE FROM \$2500 TO \$3500 AND THEY REALIZE THAT \$3500 IS STILL TOO LOW TO ALLOW MOST CARS INTO THE COUNTRY AT ANYWHERE NEAR REASONABLE PRICE. IN ADDITION, THEY ARE BECOMING AWARE THAT THEY ARE ACTUALLY LOSING TARIFF REVENUE SINCE THE VERY HIGH RATE HAS FOSTERED A SITUATION WHERE MOST STANDARD SIZED SEDANS ARE BROUGHT IN WITH SPECIAL GOVERNMENT PROVIDED DUTY FREE ENTRY PERMITS, FOR WHICH THERE IS AN ACTIVE

BLACK MARKET, OR THROUGH INVOICING.

6) A VERY APPROXIMATE ESTIMATE OF THE VALUE OF THE RE-COMMENDED CONCESSION WOULD BE IN THE ORDER OF \$ ONE MILLION ARRIVED AT BY ASSUMING THAT U.S. CAR EXPORTS WOULD INCREASE BY PERHAPS 250 UNITS A YEAR FROM PRESENT LEVELS OF AROUND 350.

7. WE WOULD APPRECIATE BEING KEPT INFORMED ON PROGRESS OF NEGOTIATIONS AS IT RELATES TO THIS PROPOSAL.
MELOY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, TARIFF NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GUATEM07205
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750445-0774
From: GUATEMALA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751216/aaaaanpi.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 287116, 76 GUATEMALA 7104
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2003 by KelleyW0>; APPROVED <07 AUG 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONCESSIONS FROM GUATEMALA ON TROPICAL PRODUCTS NEGOTIATIONS
TAGS: ETRN, GT, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006